

Message Text

LIMITED OFFICIAL USE

PAGE 01 ABU DH 00561 030747Z

13

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 /018 W
----- 100749

R 030655Z MAR 76
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 4019
USDOC WASHDC

LIMITED OFFICIAL USE ABU DHABI 0561

E.O. 11652: NA
TAGS : BEXP, TC
SUBJECT : ABU DHABI STEEL COMPLEX

REF: (A) ABU DHABI 20 (B) STATE 47987 (C) STATE 24107

1. BEGIN UNCLASSIFIED. ABU DHABI EXECUTIVE COUNCIL HAS SWITCHED GEARS AND DECIDED AGAINST INITIATING NEW FEASIBILITY STUDY AS OUTLINED IN REF A. COUNCIL AUTHORIZED DEPT OF PETROLEUM AND INDUSTRY (DPI) TO START NEGOTIATIONS WITH KOBİ STEEL AS BASIS OF ORIGINAL INDIAN FEASIBILITY STUDY. KOBİ HAS AGREED IN PRINCIPLE TO TAKE EQUITY POSITION IN PROJECT. THEY HAVE COPIES OF INDIAN STUDY AND ARE IN THE PROCESS OF EVALUATING IT AND ARE SUPPOSED TO SUBMIT PROPOSAL BY END OF MARCH. END UNCLASSIFIED.

2. BEGIN LIMITED OFFICIAL USE. OFFICIALS AT DPI CLAIM THAT INDIAN FEASIBILITY STUDY IS A GOOD ONE AND SHOWS STEEL MILL IS VIABLE PROJECT. OUR OWN OPINION IS THAT STEEL MILL IS A MARGINAL INVESTMENT WITH INTERNAL RATE OF RETURN AT 11 PERCENT, PAYBACK PERIOD OF OVER SEVEN YEARS, AND COST-BENEFIT RATIO OF LESS THAN ONE. BREAK-EVEN CAPACITY IS CALCULATED TO BE 90 PERCENT AND INDIAN STUDY DID NOT INCLUDE SENSITIVITY ANALYSIS OF PROFITABILITY WITH RESPECT TO CAPACITY UTILIZATION. WE QUESTION WHETHER STEEL MILL, AS PROPOSED BY INDIANS, IS A VIABLE OPPORTUNITY FOR U.S. FIRMS. WOULD APPRECIATE DOC/CAGNE OPINION.

3. GIVEN USS ATTITUDE TOWARD EQUITY PARTICIPATION EXPRESSED
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IN REF C BELIEVE SABA VISIT ON MARCH 17 UNNECESSARY.

STERNER

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NNN

Message Attributes

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Disposition Authority: morefirh
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